

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

J. F. Oberlin University and Affiliated Schools (security code: -)

<Outlook Change>

Long-term Issuer Rating: A

Outlook: from Stable to Negative

Rationale

- (1) J. F. Oberlin University and Affiliated Schools (“JFOU”) is an incorporated educational institution established in 1946 with a mission to foster global citizens through education on the principles of Christianity. JFOU comprises J.F. Oberlin University (the “University”), as the core of the organization, a kindergarten and a junior/senior high school. The total number of enrollments of the established schools is approximately 12,000. The University has multiple campuses, with Machida Campus as its core, and offers distinctive education based on its collage system. In recent years, it has been pushing ahead with campus development and collages relocation/opening, and thereby working to turn them into hubs and expand their capacity. It opened Shinjuku Campus in 2019 and the Tokyo Hinatayama Campus (Machida City) in 2020, relocating colleges according to the characteristics of each region. Additionally, it opened the College of Aviation and Management at Tama Academy Hills (Tama City) in 2020, and the College of College of Education and Social Transformation at Planet Fuchinobe Campus (Sagamihara City) in 2023.
- (2) The University, the main source of income, has not had any major problems with securing students to be enrolled, and JCR assumes that it will be able to maintain stable tuition and fee income for the time being. As an incorporated educational institution, there is ample room for improvement in JFOU’s financial position. JCR however has affirmed the rating on JFOU, as it will likely be able to maintain a sound cash flow cycle. That said, the student recruitment environment is difficult, and there is growing uncertainty about future application trends. In addition, if a plan for a new junior/senior high school buildings become concrete, the burden on the financial base may increase. Therefore, the rating outlook is Negative. JCR will closely watch if JFOU can stabilize student recruitment and make its financial position sound.
- (3) The number of applicants continues to decline due to factors such as the shrinking population of 18-year-olds in Japan and students’ tendency to take the entrance examination by recommendation or comprehensive selection. The number of applicants, which once had expanded to over 20,000, was approximately 13,000 for the entrance exam for the academic year 2024. Given that comprehensive admissions and school recommendation-based admissions account for the majority of admissions capacity, the University as a whole is expected to be able to ensure a certain number of students to be enrolled. However, there are some colleges that are unable to meet their enrollment capacity. As the recruitment environment worsens, it is important to build appropriate consensus and implement measures, but the University is facing governance issues and its private school grants were reduced for the academic year 2023. Governance improvements have already been underway led by the improvement plan project team, and JCR will be pay attention to governance under the new board of directors that was established in April as well as the effectiveness of the improvement plan.
- (4) Large investments in recent years have placed a heavy burden on its financial base. As of the end of March 2023, assets under management were about 13 billion yen, while the balance of interest-bearing liability was about 24 billion yen. It is assumed that stable debt redemption will be possible as JFOU’s income has a certain degree of stability and the debt repayment periods are long. However, the accumulation of funds for the maintenance/renewal of basic assets is insufficient. If investment plans, such as the new junior/high school buildings, take shape, it may need to raise new funds.

Yosuke Sato, Masaki Abe

Rating

Issuer: J. F. Oberlin University and Affiliated Schools

<Outlook Change>

Long-term Issuer Rating: A Outlook: Negative



Rating Assignment Date: March 29, 2024

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "JCR's Rating Methodology" (February 1, 2024) and "Incorporated Educational Institutions" (August 1, 2022) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

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